Economic & Planning Systems
Real Estate Economics
Regional Economics
Public Finance
Land Use Policy

FINAL REPORT

BOULDER RETAIL STRATEGY

Prepared for:

City of Boulder

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I. INTRODUCTION AND SUMMARY OF FINDINGS

This report summarizes the analysis and conclusions of Economic & Planning Systems (EPS) regarding regional retail development opportunities for the City of Boulder. The City of Boulder is specifically considering the request to initiate a service area expansion for a mixed-use development on a 23 acre parcel at 28th Street and Jay Road. This study specifically addresses the development potential and impacts of the 28th and Jay property, as well as other regional retail development options within the City.

BACKGROUND

The 28th and Jay property is a 23-acre parcel of undeveloped land located north of Jay Road and east of 28th Street in unincorporated Boulder County. Palmos Development Company, owner of the property, has submitted a request to initiate a service area expansion for the property to allow for mixed-use development comprised of large format value oriented retail, neighborhood scale retail, professional office, and medium density residential land uses. The initial development concept includes 260,000 square feet of commercial uses with a 130,000 square foot large format anchor and a 55,000 square foot secondary anchor. The remainder of the site is tentatively planned for 75,000 square feet of smaller commercial uses and 250 residential units (averaging 800 square feet per unit).

A service area expansion would move the property from Area III (the Planning Reserve), to Area II (within the urban growth boundary). This would allow for the property to be annexed and zoned for urban development uses. The service area expansion process requires the development of a service area expansion plan. Among the criteria for approving a service area plan is an analysis demonstrating that the community benefits outweigh the public development costs and negative impacts, and that any negative impacts are avoided or adequately mitigated.

This retail study was completed to assist the City of Boulder with estimating the economic and fiscal impacts of the proposed development project on the City. The study also evaluates other regional retail development opportunities and constraints. The analysis of specific public costs and impacts will be assessed if a service area plan is initiated subsequent to this analysis.

SCOPE OF WORK

EPS conducted a retail market analysis to quantify the potential for regional level retail development within the City of Boulder, and on the opportunity to attract specific stores and store categories to the 28th and Jay site, as well as other potential locations within the City. The study also estimates the impacts of regional level retail uses on the 28th and Jay Street site on existing retail development locations within the City. The analysis includes the following tasks:

- **Market Analysis –** EPS quantified resident retail expenditures for the Boulder trade area and for the City of Boulder boundaries. Retail expenditures were compared to existing retail sales by area stores to estimate sales inflows and outflows and the potential for additional store space.

- **Regional Retail Store Opportunities –** EPS interviewed the major large format retailers and mass merchandise retailers active in the Colorado market regarding their interest in a City of Boulder location and their specific interest in the 28th and Jay site. Based on these interviews and an analysis of existing store development patterns, the type and amount of regional retail store development is estimated for the site and the City.

- **Existing Sites –** Seven existing infill sites identified by staff were evaluated for their potential to accommodate regional retail uses. This analysis provides a benchmark to help the City determine whether there is a need to annex additional land to capture supportable regional development.

- **28th and Jay Street Retail Potential –** Based on the market analysis, the development potential for the subject property is presented in four development options. The estimated net revenue potential of each option is estimated based on total retail sales and the portion of sales net new to the City.

- **Impacts to Existing Retail Districts –** The impacts of supportable retail development on the 28th and Jay site on four existing retail districts in the City are estimated based on the existing store mix and retail sales levels in each district.

- **Retail Development Options and Strategies –** Based on existing and projected market conditions, the options for the 28th and Jay site are presented. Other retail development strategies are outlined for consideration.

SUMMARY OF FINDINGS

The following points summarize the analysis of supportable retail development, potential impacts, and policy options related to regional retail development.

- The only large format retailers currently expressing an interest in a Boulder location are Wal-Mart, Sam's Club, Lowe's, and King Soopers Marketplace. Each of these individual store chains has also indicated they would be interested in the 28th and Jay site.

- Retail store formats continue to evolve and continue to get larger. Kroger's decision to add dry goods to its supermarket -- essentially creating a "small" superstore of 100,000 square feet -- is an example (King Soopers Marketplace in Colorado, Fry's in Arizona). It is therefore difficult to rule out the development of other store possibilities not currently in the Colorado market, but that are likely to emerge in the coming years.

- Most of the other mass merchandise stores (20,000 to 40,000 square feet) currently active in the Colorado market are already located in Boulder. A few, including Kohl's, Best Buy, and Linens N Things, have indicated they would be interested in the 28th and Jay site, but only if the site or the immediate general location could support a critical mass of regional retail space. It is unclear whether the site, with or without a large format store, could accommodate enough tenants to meet what these chains consider a critical mass.

- The regional retail scenarios determined to be feasible for the 28th and Jay site would generate from $61.5 million to $133.0 million in total retail sales. However, EPS estimates that net new sales would account for only a portion of these sales ranging from 27 percent to 62 percent of the total, depending on the development option. Net new annual sales tax revenues to the City are estimated from a low of $516,000 for Scenario 4 (Lowe's) to a high of $2.3 million for Scenario 1 (Wal-Mart and Sam's Club).

- The estimated impacts to existing retail districts from the development of 28th and Jay would be minimal under all development options. Historically, downtown has attracted primarily independent and locally owned businesses, while BVRC has attracted primarily national retailers. The Twenty Ninth Street development will perpetuate this difference. However, a certain amount of overlap is expected between future Twenty Ninth Street tenants and downtown tenants. Therefore, the Twenty Ninth Street project is expected to have a greater impact on the downtown area than the 28th and Jay site.

- The only undeveloped site within the City with immediate development potential for regional retail uses is the McKenzie property located on the Diagonal Highway and 47th. The site is relatively small and could likely only accommodate a single large format store such as Super Wal-Mart or Lowe's.

- The 21-acre Diagonal Plaza property, located at 28th and the Diagonal Highway, is a viable community shopping center with some regional retail uses but on an underutilized site. A preliminary economic financial analysis indicates the logistics and costs of redevelopment are likely to be prohibitive. However, should one of the major anchors close, the site could become a viable location for additional regional retail uses and may warrant consideration for public financing at that time.

- None of the remaining infill sites identified by the City could accommodate the supportable large format retail uses. All of the infill sites have some impediments to redevelopment to regional retail uses in the near future.

- At this point in time, most of the large format and mass merchandise retailers not already located in the City are unwilling to invest in expensive or difficult infill sites because they are already tapping the Boulder customer base from nearby locations.

- The City is currently developing a significant increment of regional retail development at Twenty Ninth Street. This project has one large format retailer (The Home Depot) and will include a large increment of smaller "lifestyle-type" tenants (primarily upscale national apparel and home furnishings stores).

- These stores will help diminish the leakage of comparison shoppers goods sales to the FlatIron Crossing Mall area and other regional centers. This project is expected to accomplish the greatest reduction in retail leakage possible short of developing a regional shopping center.

- A successful Twenty Ninth Street project is also expected to attract additional mass merchandisers who would wish to locate on nearby sites, much like what happened in the BVRC surrounding Crossroads over the last 20 years.

- Although there are no sites immediately available, there are older properties that will become available for additional mass merchandise retailers as leases expire and tenants move. These projects will take a creative developer and may require some public assistance to address the extraordinary costs of redevelopment.

- Given that further urban renewal projects in the City have not been determined, the City's best opportunity to encourage additional regional development is to consider economic incentives on a case by case basis. These incentives are best accomplished through sales tax revenue sharing with eligible retail development projects to fund required public improvements. The City's Economic Vitality Work Plan identifies options to facilitate retail development through private initiatives or through the formation of public/private partnerships.

II. Market Analysis

In this section of the report, retail sales inflows and outflows are estimated for the Boulder regional trade area and the City of Boulder subarea. Based on this analysis the amount of new regional retail space supportable is estimated.

RETAIL DEFINITIONS

For purposes of analysis, retail stores are categorized based on shopping and trade area characteristics listed below. Each is described with examples to clarify the types of retail stores included in each of the categories.

- **Convenience Goods** – This category includes supermarkets and other grocery stores, convenience stores, as well as liquor, drug, and other specialty food stores. These stores generally sell frequently purchased, low cost items with little product differentiation. The primary locations for convenience goods stores are the supermarket-anchored neighborhood shopping centers and smaller convenience centers, as these items are most often bought close to home.

- **Shoppers Goods** – This category includes general merchandise, apparel, furniture, appliance, and specialty goods stores. General merchandise stores include traditional department stores (such as Foley's and JCPenney) as well as discount department stores (Wal-Mart and Target). The product lines of these stores are generally more expensive, less frequently purchased items. In general, people are more likely to comparison shop for shoppers goods, and are often more willing to travel farther to buy them. The primary locations for regional shoppers goods are traditional downtown shopping districts, regional shopping centers, free-standing discount department and membership warehouse stores, and power centers dominated by mass merchandise tenants.

- **Eating and Drinking Establishments** – This category includes restaurants, such as conventional sit-down and fast food, and bars. Businesses in this category exhibit some of the characteristics of convenience stores in that many restaurant expenditures are made at establishments close to home and on a frequent basis. However, some higher quality restaurants, more unique in the marketplace, can have a regional draw.

- **Building Materials/Nurseries** – This category is made up of stores selling lumber, paint, glass, hardware, plants and garden supplies, and other retail items related to home improvement. Home improvement centers such as Home Depot and Lowe's are the largest stores in this category.

Regional retail space is comprised of shoppers goods and building material stores. For purposes of this study, large format retailers (also called big box stores) are defined as regional retail stores of 100,000 square feet of space or greater. These stores generally include discount department stores (e.g., Target and Wal-Mart), supercenters (discounter with grocery store space), membership warehouse stores (e.g., Costco and Sam's Club), and home improvement centers (e.g., Lowe's and Home Depot). Other regional retail stores include mass merchandisers (also called mid-box stores) in the 20,000 to 40,000 square foot range that concentrate on a more narrow line of merchandise, such as home furnishings, office, electronics, apparel and sporting goods stores. The large format and mass merchandisers active in the Colorado market evaluated in this study are listed in **Table 1**.

Table 1
Large Format and Mass Merchandisers
Boulder Retail Strategy

Retailers		
Large Format	**Mass Merchandisers**	
Discount Department Stores/Supercenters	Apparel	Home Furnishings
Target	T.J. Maxx / HomeGoods	Cost Plus
Wal-Mart	Ross	Pier I
Sears Grand		Michaels
Kohls	Appliances/Electronics	Bed, Bath & Beyond
	Circuit City	Linen's N Things
Membership Warehouse Clubs	Best Buy	
Sam's Club	CompUSA	Sporting Goods
Costco		Gart
	Bookstores	EMS
Building Materials & Garden Supply	Barnes & Noble	Dick's
Lowe's	Borders	REI
Home Depot		
	Office Supplies	Others
Others	Office Depot	PETsMART
King Soopers Marketplace	OfficeMax	

Source: Economic & Planning Systems
H:\15829-Boulder Retail Strategy\Data\[15829_TenantReqs.xls]Retailers

BOULDER REGIONAL TRADE AREA

Retail businesses derive their sales from local area residents, residents of the larger region, and visitors including both tourists and business travelers. The Urban Land Institute (ULI) defines a trade area as the geographic area from which a retail facility consistently draws most (the majority) of its customers. The actual boundaries of the trade area are arbitrary and are based on logical jurisdictional and geographic boundaries. All sales are accounted for as either from within the trade area or from outside. Retail sales from within the trade area are defined as local capture, and sales from outside the trade area are considered retail inflow. Retail expenditures by trade area residents in other locations are considered retail outflow or leakage.

Based on the existing distribution of stores, the regional trade area is defined as Boulder County excluding Longmont. The trade area therefore includes the City of Boulder plus Louisville, Lafayette and Superior. The City of Boulder alone is also measured as a subarea of the larger trade area.

The Boulder regional trade area includes several established regional retail centers. The largest regional retail center in the City of Boulder is the Boulder Valley Regional Center (BVRC), generally extending from Folsom on the west to 32nd street on the east and from south of Arapahoe north to Pearl Street. As of 2005, BVRC has an estimated 116 retail businesses, 1.5 million square feet of retail space, and $427.0 million in annual retail sales. The BVRC conforms to the Boulder Urban Renewal Area boundaries and developed around the former Crossroads Mall. The mall property is now being redeveloped as Twenty Ninth Street with Foley's, Home Depot, Century Theaters, and a Wild Oats store and corporate headquarters as anchors. The project includes a total of 870,000 square feet.

The second largest regional center in Boulder is the central business district. The downtown area is anchored by the Pearl Street Mall, an outdoor, pedestrian-only shopping and entertainment destination spanning four city blocks. The mall helped to reestablish the downtown area as a regional center. There are 109 retail businesses, an estimated 750,000 square feet of retail space, and $156.6 million in annual retail sales in the downtown area.

Outside of the City of Boulder, several regional centers have been constructed in recent years. Approximately five miles outside of the City, the intersection of US 36 and McCaslin Road includes over 1.0 million square feet of retail space. The regional center is comprised of the Superior Marketplace on the west side of US 36 and several freestanding large format retailers and smaller shopping centers on the east side. The Superior Marketplace totals nearly 600,000 square feet and includes Costco, Super Target, Gart Sports, Ross Dress For Less, T.J. Maxx, Wild Oats, Michaels, OfficeMax, and PETsMART as anchors. The east side of US 36 totals approximately 500,000 square feet of retail space including Lowe's, Home Depot, Sam's Club, and Kohl's.

The FlatIron Crossing Mall is just beyond the Boulder regional trade area boundary. The super regional retail center includes the 1.5 million square foot mall and several additional regional retail centers for a total of 2.5 million square feet of retail. Tenants of the mall and retail centers include Dillard's, Foley's, Nordstrom, AMC Theaters, Dick's Sporting Goods, Wal-Mart Supercenter, Best Buy, The Great Indoors, Linens N Things, Office Depot, Nordstrom Rack, and Borders Books. In addition, numerous other national tenants occupy the inline mall and retail center space including restaurants, apparel stores, home furnishing and furniture stores, liquor stores, and many others.

Along the north Interstate 25 corridor at the intersection with the E-470 tollway, just beyond the Boulder regional trade area boundary, several new super regional retail centers are under construction. The three projects are estimated to include 3.3 million square feet of retail space. These centers are currently competing with each other for retailers. Current tenants of the centers include Home Depot, Sears Grand, OfficeMax, PETsMART, Circuit City, Dick's Sporting Goods, DAVECO Liquors, Bed, Bath, and Beyond, Foley's, JCPenney, and AMC Theaters.

RETAIL SALES

The Boulder regional trade area covers several municipalities and encompasses nearly 210,000 people living in 80,000 homes. The population is served by several regional retail centers both within the trade area and immediately adjacent.

BOULDER REGIONAL TRADE AREA

The Colorado Department of Revenue reports annual retail sales for cities and counties across the state. The Boulder regional trade area retail sales were estimated from total 2004 Boulder County sales minus Longmont City sales. Retail sales within the trade area (for the selected store categories shown) totaled nearly $2.0 billion in 2004, as shown in **Table 2**. Food/Beverage stores, General Merchandise store, and Food and Drinking Services were the three highest grossing store categories with $534 million, $321 million, and $316 million, respectively.

Table 2
Trade Area Retail Sales, 2004
Boulder Retail Strategy

	Retail Sales ($000s)		
Category	**City of Longmont**	**Trade Area** [1]	**Boulder County**
Total Retail	**$1,758,443**	**$4,791,878**	**$6,550,321**
Retail Trade (Selected Store Cats.)			
Furniture/Furnishings	24,588	105,407	129,995
Electronics/Appliances	13,883	114,396	128,279
Building Materials/Nurseries	82,234	195,514	277,748
Food/Beverage Stores	250,065	534,494	784,559
Health and Personal Care	37,876	72,820	110,696
Clothing and Accessories	17,348	68,832	86,180
Sporting Goods/Hobby/Books/Music	30,077	163,343	193,420
General Merchandise Stores	185,271	321,488	506,759
Miscellaneous Stores	36,022	104,729	140,751
Food and Drinking Services	$95,964	$316,683	$412,647
Total (Selected Store Cats.)	**$773,328**	**$1,997,706**	**$2,771,034**

[1] Boulder County excluding the City of Longmont

Source: Colo. Dept. of Revenue; Economic & Planning Systems

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CITY OF BOULDER

The City of Boulder had $1.2 billion in annual retail sales in 2004 for the same selected retail store categories. Comparing City of Boulder retail sales to the trade area can indicate a rudimentary direction of expenditure potential flow. For example, the General Merchandise retail sales within the City of Boulder account for 25 percent of the trade area General Merchandise sales, as shown in **Table 3**. This suggests that most of the General Merchandise stores are outside the City and that there is an outflow of General Merchandise resident expenditures from the City of Boulder to the other locations in the trade area.

Table 3
City of Boulder vs. Trade Area Retail Sales, 2004
Boulder Retail Strategy

Category	Trade Area Retail Sales [1]	City of Boulder Retail Sales	City of Boulder Percent Share Of Trade Area
Total Personal Income ($000s)	**$7,543,954**	**$3,039,621**	**40%**
Total Retail ($000s)	**$4,791,878**	**$3,011,292**	**63%**
Retail Trade ($000s)			
Furniture/Furnishings	105,407	79,509	75%
Electronics/Appliances	114,396	85,401	75%
Building Materials/Nurseries	195,514	98,375	50%
Food/Beverage Stores	534,494	325,498	61%
Health and Personal Care	72,820	49,263	68%
Clothing and Accessories	68,832	60,193	87%
Sporting Goods/Hobby/Books/Music	163,343	132,955	81%
General Merchandise Stores	321,488	80,610	25%
Miscellaneous Stores	104,729	77,030	74%
Food and Drinking Services	316,683	$227,935	72%
Total (Selected Store Cats.)	**$1,997,706**	**$1,216,769**	**61%**

[1] Boulder County excluding the City of Longmont

Source: Colo. Dept. of Revenue; Economic & Planning Systems

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RETAIL EXPENDITURES

Retail expenditures can be estimated as a function of the total personal income of the trade area and percent of income typically spent by retail store category. Total personal income (TPI) is calculated by multiplying the population within a defined geographic area by the per capita income or per household income for that defined area. The average percentage of TPI spent by retail store category can be determined from Colorado Department of Revenue data on a state-wide basis. Multiplying the trade area TPI by the Colorado Department of Revenue average expenditure figure for a specific store category determines the dollar amount trade area residents can be expected to spend regardless of location.

The Boulder regional trade area had a TPI of $7.5 billion in 2004. The figure increased to an estimated $8.1 billion in 2005, as shown in **Table 4**. Based on projected population growth and 1.0 percent real income growth the trade area TPI is estimated to grow to $8.9 billion in 2010 (in 2005 dollars), an increase of 10 percent.

The City of Boulder had a TPI of $3.0 billion in 2004 which is 40 percent of the trade area total. The figure increased to an estimated $3.1 billion in 2005. Based on 1 percent real income growth and population growth, the TPI of the City of Boulder is estimated to be $3.4 billion in 2010 (in 2005 dollars), an increase of 13 percent. By 2010 the City's TPI will increase to $3.4 billion, but its share of the trade area total will drop to 38 percent.

Table 4
Trade Area Total Personal Income, 2004 - 2010
Boulder Retail Strategy

	2004	2005	2010
Trade Area [1]			
Population	210,672	223,618	233,129
Per Capita Income	$35,809	$36,167	$38,012
Subtotal Income ($000s)	**$7,543,954**	**$8,087,620**	**$8,861,694**
City of Boulder			
Population	101,500	102,273	105,930
Per Capita Income	$29,947	$30,246	$31,789
Subtotal Income ($000s)	**$3,039,621**	**$3,093,394**	**$3,367,432**

[1] Boulder County excluding the City of Longmont

Source: City of Boulder; DRCOG; Claritas; Economic & Planning Systems

H:\15829-Boulder Retail Strategy\Models\[15829 - TPI & Expend Combined.xls]TPI

The trade area's total retail expenditure potential is approximately $2.6 billion based on the Colorado Department of Revenue average of 34.8 percent of TPI spent at retail stores. Food/Beverage and General Merchandise stores are the largest store groups with 7.9 percent and 7.3 percent respectively or over $1.0 billion, as shown in **Table 5**.

Table 5
Trade Area Store Expenditure Potential, 2004
Boulder Retail Strategy

Store Type	Pct. of TPI	Trade Area [1] Resident Expend. Poten. ($000s)	City of Boulder Resident Expend. Poten. ($000s)
Convenience Goods			
Food/Beverage Stores	7.9%	$596,000	$240,000
Health and Personal Care	1.3%	98,000	40,000
Total Convenience Goods	**9.2%**	**694,000**	**280,000**
Shopper's Goods			
General Merchandise	7.3%	551,000	222,000
Clothing & Accessories	2.1%	158,000	64,000
Furniture & Home Furnishings	1.9%	143,000	58,000
Sporting Goods, Hobby, Book, & Music Stores	1.8%	136,000	55,000
Electronics & Appliances	1.5%	113,000	46,000
Miscellaneous	1.8%	136,000	55,000
Total Shopper's Goods	**16.4%**	**1,237,000**	**500,000**
Food and Drinking Services	5.2%	392,000	158,000
Building Material & Garden	4.0%	302,000	122,000
Total Retail Goods	**34.8%**	**$2,625,000**	**$1,060,000**

[1] Boulder County excluding the City of Longmont

Source: Colo. Dept. of Revenue; City of Boulder; DRCOG; Claritas; Economic & Planning Systems

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The City of Boulder's total retail expenditure potential is approximately $1.1 billion based on the Colorado Department of Revenue average of 34.8 percent of TPI spent at retail stores. Food/beverage and General Merchandise stores dominate the retail industry with 7.9 percent and 7.3 percent respectively or over $460 million.

RETAIL SALES FLOWS

This section estimates retail sales inflows and outflows within the Boulder regional trade area and the City of Boulder subarea. First, the expenditure patterns of Boulder regional trade area residents are estimated, specifically the amount of retail purchases made by store category within the trade area and outside the trade area. The portion of purchases not made locally is retail outflow or leakage. Second, the distribution of trade area retail store sales is estimated. Retail sales are separated into sales to local residents (local expenditures), and inflow from residents outside the trade area as well as visitors.

BOULDER REGIONAL TRADE AREA

The retail sales inflow/outflow analysis of the Boulder regional trade area identifies leakage in two key store categories. These categories include General Merchandise (50 percent leakage) and Clothing and Accessories (60 percent leakage), as shown in **Table 6.** Although, these two categories are well tenanted (including retailers such as Target, Wal-Mart, Kohl's, T.J. Maxx, Ross, Foley's, Costco, Sam's Club), the largest gap is the absence of a major regional shopping center and its collection of traditional department and apparel stores. The majority of the General Merchandise leakage flows out to the traditional department stores located at FlatIron Crossing Mall including Dillard and Nordstrom. The trade area only includes one traditional department store: Foley's on the site of the former Crossroads Mall. The Twenty Ninth Street lifestyle center, under construction on the former mall property, will not contain any additional department stores but will contain an array of fashion apparel and home furnishing stores. This project should reduce the leakage of sales in these categories.

In addition, the FlatIron Crossing Mall, beyond the Boulder regional trade area, and surrounding regional retail centers account for the majority of leakage in the Clothing and Accessories store category. However, 92 percent of sales within the Clothing and Accessories store category are made to local residents living within the trade area, as shown in **Table 7**. Overall, 89 percent of all retail sales within the trade area are made to residents of the trade area. The remaining 11 percent of sales is made to visitors and non-trade area residents traveling to the trade area for specific purchases.

Table 6
Trade Area Expenditures by Location, 2004
Boulder Retail Strategy

	A	B	C	D	E	F
		Trade Area [1]	**Local Capture**		**Outflow/Leakage**	
Store Type	**Pct. of TPI**	**Resident Expend. Poten.** ($000s)	**Pct. Of Expenditures**	**Resident Expenditures** ($000s)	**Pct. Of Expenditures**	**Resident Expenditures** ($000s)
Convenience Goods						
Food/Beverage Stores	7.9%	$596,000	85%	$506,600	15%	$89,400
Health and Personal Care	1.3%	98,000	70%	68,600	30%	29,400
Total Convenience Goods	**9.2%**	**694,000**	**83%**	**575,200**	**17%**	**118,800**
Shopper's Goods						
General Merchandise	7.3%	551,000	50%	275,500	50%	275,500
Clothing & Accessories	2.1%	158,000	40%	63,200	60%	94,800
Furniture & Home Furnishings	1.9%	143,000	70%	100,100	30%	42,900
Sporting Goods, Hobby, Book, & Music Stores	1.8%	136,000	85%	115,600	15%	20,400
Electronics & Appliances	1.5%	113,000	90%	101,700	10%	11,300
Miscellaneous	1.8%	136,000	65%	88,400	35%	47,600
Total Shopper's Goods	**16.4%**	**1,237,000**	**60%**	**744,500**	**40%**	**492,500**
Food and Drinking Services	5.2%	392,000	70%	274,400	30%	117,600
Building Material & Garden	4.0%	302,000	60%	181,200	40%	120,800
Total Retail Goods	**34.8%**	**$2,625,000**	**68%**	**$1,775,300**	**32%**	**$849,700**

[1] Boulder County excluding the City of Longmont

Source: Colo. Dept. of Revenue; DRCOG; Claritas; Economic & Planning Systems

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Table 7
Trade Area Retail Sales by Location, 2004
Boulder Retail Strategy

	A	B	C	D	E
	Trade Area [1]	**Sales to Residents**		**Inflow/Visitor Sales**	
Store Type	**Store Sales** ($000s)	**Pct. Of Sales**	**Sales** ($000s)	**Pct. Of Sales**	**Sales** ($000s)
Convenience Goods					
Food/Beverage Stores	$534,494	95%	$506,600	5%	$27,894
Health and Personal Care	72,820	94%	68,600	6%	4,220
Total Convenience Goods	**607,314**	**95%**	**575,200**	**5%**	**32,114**
Shopper's Goods					
General Merchandise	321,488	86%	275,500	14%	45,988
Clothing & Accessories	68,832	92%	63,200	8%	5,632
Furniture & Home Furnishings	105,407	95%	100,100	5%	5,307
Sporting Goods, Hobby, Book, & Music Stores	163,343	71%	115,600	29%	47,743
Electronics & Appliances	114,396	89%	101,700	11%	12,696
Miscellaneous Retail	104,729	84%	88,400	16%	16,329
Total Shopper's Goods	**878,195**	**85%**	**744,500**	**15%**	**133,695**
Eating and Drinking	316,683	87%	274,400	13%	42,283
Building Material & Garden	195,514	93%	181,200	7%	14,314
Total Retail Goods	**$1,997,706**	**89%**	**$1,775,300**	**11%**	**$222,406**

[1] Boulder County excluding the City of Longmont

Source: Colo. Dept. of Revenue; DRCOG; Claritas; Economic & Planning Systems

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CITY OF BOULDER

The City of Boulder retail sales inflow/outflow analysis reveals leakage in several key categories. Leakage is highest in the General Merchandise store category estimated at 70 percent, as shown in **Table 8**. Within the City of Boulder, Foley's and Target are the two major General Merchandise retailers. The lack of additional general merchandisers results in the outflow of $155 million in resident expenditure potential. The majority of the General Merchandise expenditure potential leaks into the surrounding Boulder regional trade area. A portion of the $155 million in resident expenditure potential flows out to the FlatIron Crossing Mall, in particular those dollars typically spent at traditional department stores.

In addition, the larger Boulder regional trade area accounts for the majority of the leakage in the total shoppers goods (45 percent) and Building Material and Garden store (35 percent) categories. The large format general merchandisers, such as Wal-Mart, Costco, and Sam's Club, and mid-size retailers, such as Best Buy, Linen's N Things, and T.J. Maxx, within the Boulder regional trade area capture most of the shoppers goods dollars flowing out of Boulder.

The Home Depot and Lowe's Home Improvement Center stores capture the building material and garden supply dollars flowing out of Boulder. Thus, only a small portion of the dollars flowing out of the City of Boulder make it beyond the geographic boundaries of the Boulder regional trade area. The addition of Home Depot, at Twenty Ninth Street, will reduce the overall outflow of building materials and garden supply sales.

Overall, an estimated 33 percent of resident expenditure potential flows out of the City of Boulder subarea or $352 million. However, nearly half of all retail sales (42 percent) are attributed to visitors or trade area inflow, as shown in **Table 9**. Visitors and regional inflow includes consumers living within the Denver metropolitan area as well as tourists and overnight visitors. Thus, the City of Boulder is a regional shopping destination. The resident expenditure potential flowing out of Boulder is due to the lack of certain specific tenants, in particular the large format general merchandisers and traditional department stores, not because of a lack in overall retailer choice.

Table 8
City of Boulder Expenditures by Location, 2004
Boulder Retail Strategy

	A	B	C	D	E	F
		City of Boulder	**Local Capture**		**Outflow/Leakage**	
Store Type	**Pct. of TPI**	**Resident Expend. Poten.** ($000s)	**Pct. Of Expenditures**	**Resident Expenditures** ($000s)	**Pct. Of Expenditures**	**Resident Expenditures** ($000s)
Convenience Goods						
Food/Beverage Stores	7.9%	$240,000	90%	$216,000	10%	$24,000
Health and Personal Care	1.3%	40,000	85%	34,000	15%	6,000
Total Convenience Goods	**9.2%**	**280,000**	**89%**	**250,000**	**11%**	**30,000**
Shopper's Goods						
General Merchandise	7.3%	222,000	30%	66,600	70%	155,400
Clothing & Accessories	2.1%	64,000	70%	44,800	30%	19,200
Furniture & Home Furnishings	1.9%	58,000	75%	43,500	25%	14,500
Sporting Goods, Hobby, Book, & Music Stores	1.8%	55,000	85%	46,750	15%	8,250
Electronics & Appliances	1.5%	46,000	90%	41,400	10%	4,600
Miscellaneous	1.8%	55,000	60%	33,000	40%	22,000
Total Shopper's Goods	**16.4%**	**500,000**	**55%**	**276,050**	**45%**	**223,950**
Food and Drinking Services	5.2%	158,000	65%	102,700	35%	55,300
Building Material & Garden	4.0%	122,000	65%	79,300	35%	42,700
Total Retail Goods	**34.8%**	**$1,060,000**	**67%**	**$708,050**	**33%**	**$351,950**

Source: Colo. Dept. of Revenue; City of Boulder; Claritas; Economic & Planning Systems

H:\15829-Boulder Retail Strategy\Models\[15829 - IOFlow-City.xls]Expend

Table 9
City of Boulder Retail Sales by Location, 2004
Boulder Retail Strategy

	A	B	C	D	E
	City of Boulder	**Sales to Residents**		**Inflow/Visitor Sales**	
Store Type	**Store Sales**	**Pct. Of Sales**	**Sales**	**Pct. Of Sales**	**Sales**
	($000s)		($000s)		($000s)
Convenience Goods					
Food/Beverage Stores	$325,498	66%	$216,000	34%	$109,498
Health and Personal Care	49,263	69%	34,000	31%	15,263
Total Convenience Goods	**374,761**	**67%**	**250,000**	**33%**	**124,761**
Shopper's Goods					
General Merchandise	80,610	83%	66,600	17%	14,010
Clothing & Accessories	60,193	74%	44,800	26%	15,393
Furniture & Home Furnishings	79,509	55%	43,500	45%	36,009
Sporting Goods, Hobby, Book, & Music Stores	132,955	35%	46,750	65%	86,205
Electronics & Appliances	85,401	48%	41,400	52%	44,001
Miscellaneous	77,030	43%	33,000	57%	44,030
Total Shopper's Goods	**515,698**	**54%**	**276,050**	**46%**	**239,648**
Food and Drinking Services	227,935	45%	102,700	55%	125,235
Building Material & Garden	98,375	81%	79,300	19%	19,075
Total Retail Goods	**$1,216,769**	**58%**	**$708,050**	**42%**	**$508,719**

Source: Colo. Dept. of Revenue; City of Boulder; Claritas; Economic & Planning Systems

H:\15829-Boulder Retail Strategy\Models\[15829 - IOFlow-City.xls]Sales

Resident expenditure leakage is high in a few store categories within the City of Boulder subarea. However, these sales do not travel far. The vast majority are captured in the larger Boulder regional trade area, particularly in Louisville and Superior, which are just five miles to the south. A portion of the trade area sales travel to the FlatIron Crossing Mall, which serves as the regional retail center for the northwest quadrant of the Denver metropolitan area providing the area's traditional department stores.

The City of Boulder subarea is a regional retail destination for several key store categories, including: furniture and home furnishings; sporting goods, hobby, book, and music; electronics and appliances; and food and drinking services. In addition, specialty food and beverage stores like Whole Foods, Pharmaca Integrative Pharmacy, and Ideal Market draw regional customers into the City of Boulder for some Food/Beverage store purchases.

SUPPORTABLE RETAIL SALES

An analysis of the retail sale inflows and outflows for the City of Boulder subarea suggests that certain store categories present opportunities for specific large format retailers. However, these opportunities are hampered by the retail conditions in the larger Boulder regional trade area, of which the City of Boulder is only one part. The opportunities for these retailers are less pronounced when the whole trade area is considered instead of simply the City of Boulder subarea.

At best the City of Boulder can expect to capture a minimal portion of the sales currently flowing out of its boundaries into the surrounding trade area. Most of the dollars flowing out of the City of Boulder are absorbed by retailers in the adjacent communities of the larger Boulder regional trade area.

Depending on the retailer, the City of Boulder may be able to capture as much as $80 million in General Merchandise sales. However, these sales must either be in the traditional department store or membership warehouse club store categories in order to generate high levels of net new sales. Currently, the City of Boulder loses these sales to the Louisville/Superior area and FlatIron Crossing Mall. Estimates have placed sales at the Superior Costco to City of Boulder residents at $35.0 million. The impact of warehouse club retailers on existing Food/Beverage retailers within the City of Boulder will be minimal. The effects of these retailers on Food/Beverage stores within the City was felt when the Superior/Louisville retailers opened their doors.

The close proximity of the regional retail center FlatIron Crossing Mall and consolidation within the industry will prevent the Boulder regional trade area from attracting a traditional department store. The Foley's store at the Twenty Ninth Street development remains the only traditional department store in the Boulder regional trade area. The store will be converted to Macy's in 2006. The development of the Twenty Ninth Street project, which will replace Crossroads, will be a lifestyle center and not a suitable site for another traditional department store.

Other general merchandise stores, such as discount department stores and supercenters like Wal-Mart, will result in a large portion of sales "cannibalized" from existing stores and only moderate levels of net new sales to the City. Discount department stores and supercenters compete with a broader range of retailers and have a greater impact on shoppers goods than warehouse clubs. In addition, the grocery component of a supercenter is more similar to traditional grocery stores. Therefore, the impact of a supercenter on grocery sales is much larger than the impact of a warehouse club.

Shoppers goods sales can also be generated by attracting various mid-size retailers to the City. However, these retailers will not generate a significant amount of net new sales. The current level of leakage from the larger trade area is relatively low for mass merchandise store categories (shoppers goods other than general merchandise), indicating that the larger trade area is well tenanted with these stores. Therefore, the mass merchandise retailers will not net high levels of new sales. Instead, the mass merchandise stores will "cannibalize" sales from existing retailers resulting in a redistribution of sales.

III. MAJOR RETAIL STORE OPPORTUNITIES

This chapter summarizes the findings from interviews with several leading national large and mid-size retailers. The purpose of the interviews was to understand the level of interest and future plans of these retailers in the Boulder area, within the City of Boulder, and in the 28th and Jay site. The interviews included real estate representatives from the various retailers, national retail brokerage firms working with the retailers, and local brokers working on behalf of the retailers in the local market. The interviews have been summarized by retail store category in **Table 10**.

LARGE FORMAT STORES

Large format retailers include discount department stores (Wal-Mart, Target, and Kohl's), warehouse clubs (Costco and Sam's Club), supercenters (Wal-Mart Supercenter, Super Target, and King Soopers Marketplace), traditional department stores (Foley's, Dillard's, and Nordstrom), and home improvement centers (Home Depot and Lowe's). These stores typically range in size from 125,000 to 250,000 square feet. The traditional store model of a large format retailer includes a large single level building with ample surface parking.

Nearly every retailer indicated a high level of interest in the Boulder market. However, many of the retailers have already located stores nearby (outside the City but in the trade area) and therefore effectively serve the City of Boulder market. Many of the retailers felt that the 28th and Jay site was not ideally located within the City and that a more central location would be preferred. Interviews included discount department stores, warehouse clubs and supercenters, and other large format retailers.

DISCOUNT DEPARTMENT STORES

Discount department stores offer a large array of shoppers goods ranging from apparel to sporting goods and electronics to home furnishings. These stores tend to locate in freestanding or power center locations with high visibility and good access to highways or major arterials. These stores also tend to locate near other regional retail centers, particularly regional malls. Increasingly, discounters are moving to regional malls to occupy vacant department store sites. Discount department stores often act as anchors within regional retail centers. A few of the traditional discount department stores, such as Target and Wal-Mart, have begun to construct supercenters. In fact, Wal-Mart only builds supercenters on the large end and smaller neighborhood centers (supermarkets) on the small end.

Table 10
Retailer Interview Summary Matrix
Boulder Retail Strategy

Retailer	In Boulder (# of Stores)	Current Location	Interest In Boulder	Interest In 28th & Jay Site	Interest In Infill
Large Format					
Target	1	29th & Pearl	Medium - grocery	None	None
Wal-Mart	0	---	High	Very High	None
Sam's Club	0	---	High	Very High	None
Sears Grand	0	---	High	Low	Low
Kohls	0	---	High	Medium	None
Costco	0	---	Low	Low	None
Lowe's	0	---	High	High	None
Home Depot	1	29th & Arapahoe	---	---	---
King Soopers (Kroger)	2	30th & Arapahoe; Table Mesa Dr & Broadway	High - North	High	High - North
Mid-size Format					
Apparel					
T.J. Maxx / HomeGoods	0	---	---	---	---
Ross	1	30th & Iris	---	---	---
Appliances/Electronics					
Circuit City	1	28th & Pearl	Low	None	None
Best Buy	0	---	Low	Low	Low
CompUSA	1	30th & Arapahoe	---	---	---
Bookstores					
Barnes & Noble	1	29th & Pearl	---	---	---
Borders	1	16th & Pearl	Low	None	None
Home Furnishings					
Cost Plus	1	28th & Canyon	None	None	Low
Pier I	1	28th & Arapahoe	None	None	None
Michaels	1	Baseline Road	Moderate	Moderate	None
Bed, Bath & Beyond	1	28th & Canyon	None	None	None
Linen's N Things	0	---	High	High	Low
Office Supplies					
Office Depot	1	Marshall's Plaza - 28th & Canyon	---	---	---
OfficeMax	1	Market Square Shopping Center - 30th & Walnut	---	---	---
Sporting Goods					
Gart	1	28th & Iris	---	---	---
EMS	1	Arapahoe Village Shopping Center - 2550 Arapahoe Ave.	None	None	None
Dick's	0	---	Low	None	None
REI	1	28th & Canyon	---	---	---
PETsMART	1	29th & Iris	Low	None	Moderate

Source: Economic & Planning Systems

H:\15829-Boulder Retail Strategy\Data\[15829_TenantReqs.xls]Matrix

Several discount department stores were interviewed including Target, Wal-Mart, Sears Grand, and Kohl's. Interest in the City of Boulder was mixed among these retailers, as outlined below.

- **Target** would like to develop a Super Target in the Boulder market. However, Target already has an extremely successful store at 28th and Pearl. The current location does not include enough room to expand to a Super Target. Furthermore, the current store is too successful to move. Target will not jeopardize its existing sales in order to add grocery to the company's offering in Boulder. Thus, Target had little interest in the 28th and Jay site or any other infill site within the City.

- **Wal-Mart** has a high level of interest in the City of Boulder. However, the level of interest drops dramatically when the retailer is required to build a store that differs from the traditional Wal-Mart model. Wal-Mart has been successful in locating traditional stores around the City of Boulder and within the larger Boulder regional trade area, and will continue with this model if required to deviate from their traditional store model in order to gain entry into Boulder. The 28th and Jay site is attractive to Wal-Mart as a location for a Super Wal-Mart.

- **Sears Grand** expressed a high level of interest in Boulder. However, the store format is new and still being tested around the country. The first and only Sears Grand in the Denver metro area is under construction at LarkRidge at Interstate 25 and Highway 7. It is unlikely that Sears would locate a second Sears Grand within the Denver metropolitan market before the store concept has been proven nationwide. In addition, Sears would not consider infill sites requiring structured parking or multi-story formats. The new Sears Grand concept has been specifically designed for suburban markets to allow the retailer to compete with Target and Wal-Mart.

- **Kohl's** has a high level of interest in the City of Boulder. However, Kohl's is unaware of any sites within the City that would allow it to construct a store near an already existing retail center and not require a multi-story format. The retailer has no interest in an urban format in the City of Boulder market, since sales volumes are not high enough to support the additional cost of this type of store. Kohl's has a moderate level of interest in the 28th and Jay site with the caveat that the site would need to include several additional large format retail anchors.

WAREHOUSE CLUBS AND SUPERCENTERS

A warehouse club is a large format store with similar type goods as a supercenter but less variety and selection. The stores have membership requirements with customers paying annual fees. The clubs pass along savings in the form of low prices because of the basic no frills format of the stores. The items offered are usually available in large quantities unavailable at a traditional grocery store.

Warehouse clubs tend to locate near the intersection of highways or major arterials. These retailers will locate as freestanding stores or in power centers and regional centers where they typically act as the anchor. The two major warehouse clubs interviewed are Costco and Sam's Club. The only other national warehouse club store is BJ's Wholesale Club, which is primarily located in the northeastern states.

- **Costco** has no interest in locating a store in the City of Boulder or the 28th and Jay site for the near future. Five years ago Costco's interest in Boulder was extremely high. Boulder was the retailer's first choice for a location within the Boulder regional trade area. However, Costco chose an alternate site at the Superior Marketplace. The Superior Costco currently attracts $35.0 million in sales from Boulder, which accounts for about 30 percent of total sales based on industry averages. Since a new store in Boulder would cannibalize these sales; Costco will not consider a location within the City of Boulder until the market grows enough to support a second store.

- **Sam's Club**, owned by Wal-Mart, has a high level of interest in the City of Boulder. However, for the past ten to fifteen years Wal-Mart has been pursuing a strategy of opening several stores in communities adjacent to Boulder. The market support for a Sam's Club or Wal-Mart Supercenter is thinner than in the past. These market conditions temper the retailer's interest in the City of Boulder. As a result, Wal-Mart would only be interested in building a standard format store and would not pay extraordinary development or land costs. Structured parking may be considered on the 28th and Jay site if both a Sam's Club and Wal-Mart Supercenter were constructed on the site.

OTHER LARGE FORMAT RETAILERS

Two additional large format retailers were interviewed: King Soopers and Lowe's. King Soopers has begun to explore the possibility of expanding its store models to include a Marketplace model similar to several other Kroger operating divisions. The Marketplace is essentially a small superstore that includes about 100,000 square feet of retail space split evenly between grocery and general merchandise. Kroger operating divisions have begun to move to this store model in order to compete with Target and Wal-Mart.

- **King Soopers** has a high level of interest in the City of Boulder. In particular, King Soopers is interested in expanding into northern Boulder. King Soopers believes that the loyal customers and high income levels within Boulder would make it an excellent opportunity to test out the Marketplace model. Since the 28th and Jay site is ideally suited to this purpose, King Soopers is very interested in the site.

- **Lowe's** has a high level of interest in locating within the City of Boulder. Lowe's pursues an aggressive policy of co-locating in markets with Home Depot. Lowe's believes it has a better product and wants to provide the consumers the opportunity to choose between the two retailers. Therefore, Lowe's is very interested in the 28th and Jay site because it constitutes one of the remaining locations within Boulder large enough for their store model. Lowe's typically requires 10 acres for its smallest store model, an 115,000 to 118,000 square foot store with 30,000 additional square feet of garden center.

OTHER MASS MERCHANDISERS

There is a wide array of mass merchandiser stores in the 20,000 to 40,000 square foot range in the apparel, home furnishings, sporting goods, electronics, and book/music store categories. Similar to discounters, these stores focus on high volume and low prices but in narrower product lines.

Responses among mid-size shoppers goods retailers were mixed but several common themes emerged during the course of the interviews. Many of the retailers feel the development requirements of the City of Boulder drive costs up. The result is high land costs necessitating high sales volumes. Despite the high income levels within the City of Boulder, many retailers were quick to state that the City itself is often not large enough to generate the higher sales volumes necessary to support the high costs, whether higher rent levels or high land values, within the City's boundary.

APPAREL

The two most prominent off price apparel stores, T.J. Maxx and Ross, are both unlikely candidates for the City of Boulder in the near future. Ross already has a store at 30th and Iris (in Diagonal Plaza) and a store in Superior. T.J. Maxx also has a store in Superior and is rumored to be opening a new store in southwest Longmont along Hover Road.

APPLIANCES/ELECTRONICS

The appliance/electronics retailers interviewed expressed a low level of interest in the City of Boulder. Both Circuit City (28th and Pearl) and CompUSA (30th and Arapahoe) already have stores within the City of Boulder. Circuit City has no plans to expand in Boulder in the future. In addition, SoundTrack has a successful store within the City of Boulder at28th and Walnut. Although the store chain is in bankruptcy and is closing underperforming stores, there are no plans to close the Boulder store.

Best Buy's level of interest has changed over the years. In the past, Best Buy had a high level of in the City of Boulder. However, after several unsuccessful attempts to build a Boulder store, Best Buy chose to locate at FlatIron Marketplace near the Flatiron Crossing Mall. In addition, Best Buy is actively pursuing additional locations in and near the Boulder regional trade area. These changes have lowered Best Buy's interest in the City of Boulder. Best Buy indicates projected sales volumes are insufficient to support the added cost associated with locations within Boulder. Best Buy has some interest in the 28th and Jay site. Their interest is similar to Kohl's in that the site would only be attractive if there was a critical mass of other regional retail uses that the site becomes another regional retail center (estimated by the store representative at 700,000 square feet of retail space).

BOOKSTORES

No bookstore retailers expressed an interest in the City of Boulder in the near future. Both of the usual prospects, Barnes & Noble and Borders, already have stores within the City. Neither retailer believes the market is strong enough or large enough to support an additional store. In addition, the Boulder Bookstore is a larger independent bookstore in downtown Boulder that holds a strong place among the retailers of this category and would be a deterrent to additional store development.

HOME FURNISHINGS

Only two home furnishings retailers not already present expressed interest in the City of Boulder: Michaels and Linen's N Thing. However, neither was interested in infill opportunities, and both retailers believe that this type of development drives rents too high. Linen's N Things expressed interest in the 28^{th} and Jay site, but Michaels does not believe that rents at the 28^{th} and Jay site will be affordable. Michaels decided against locating at the Twenty Ninth Street project for both the traditional store model and its Aaron Brothers Framing model because of rent levels. Bed, Bath, and Beyond, Cost Plus, and Pier I already have Boulder Valley Regional Center (BVRC) locations. It is unlikely that these retailers would expand in the Boulder market as the competition is too great and the market is not large enough.

OFFICE SUPPLIES

The office supplies market is well represented within Boulder. Both Office Depot and OfficeMax already have stores within the City of Boulder. Staples, the other major office mass merchandiser, is not in the Colorado market.

SPORTING GOODS

Gart Sports, EMS, and REI already have stores in the Boulder market. The largest sporting goods retailer not already present in the market, Dick's Sporting Goods, declined interest in the City of Boulder. Dick's recently acquired the Galyan chain, is opening a new location along the north Interstate 25 corridor, and has a store at FlatIron Crossing Mall.

STORE OPPORTUNITIES

Of the nearly 30 retailers interviewed, only four constitute feasible opportunities for the 28th and Jay site. Furthermore, while these four large format retailers expressed a high level of interest, it is predicated on the availability of affordable land. In addition, these same retailers had little or no interest in potential infill sites within the City of Boulder. All four retailers agree that the City of Boulder does not have many large tracts of land available and none of the available tracts are within the central retail core.

The 28th and Jay site opportunities include Wal-Mart, Sam's Club, Lowe's and King Soopers Marketplace. Wal-Mart and Sam's Club both have high levels of interest in the City of Boulder. Both retailers are interested in any opportunity with affordable land and close proximity to the central retail core located along 28th street between Arapahoe and Iris. The 28th and Jay site constitutes an opportunity for these two retailers to enter the Boulder market at an affordable price point with their traditional stores.

Lowe's has a high level of interest within the City of Boulder and the 28th and Jay site provides Lowe's an opportunity to locate within Boulder and compete directly with Home Depot. However, Lowe's is opening another store in Longmont and sales within this category are already captured by local/independent retailers within the City and other home centers in the larger Boulder regional trade area. Therefore Lowe's may become less interested in the site if sales flow to that new location and do not pick up within the City of Boulder subarea.

King Soopers has been in Boulder for a long time. The Boulder market has developed loyal customers and matured into a market with strong household incomes. These two facts make Boulder the likely choice to test King Soopers new Marketplace model. The new model includes 100,000 square feet of retailer space divided almost equally between grocery and general merchandise. The 28th and Jay site provides adequate room to develop the concept.

EVALUATION OF EXISTING SITES

The feasibility of infill development sites were evaluated for regional retail development. The general appeal of infill sites compared with the 28th and Jay site was reviewed with potential large format and mid box tenants. The specific attributes of the BVRC and six other sites was evaluated by EPS based on a site evaluation, current land use and development conditions, and interviews with Boulder area real estate and retail specialists.

BOULDER VALLEY REGIONAL CENTER

In general, the BVRC has been the desired location for most national credit retailers (both large format and other mass merchandisers), and a large number of these chains have found locations in the area over the last 20 years. There are more of these stores present than not present. However, in recent years, as sites have become more difficult to assemble within Boulder, a large number of these retailers have built stores in the Louisville/Superior area, as well as at FlatIron Crossing Mall just outside the trade area.

Many of these stores have been able to penetrate the City of Boulder market and capture sales from just outside the City. This has provided a significant disincentive for many retailers to incur the difficulty or pay the price of locating on an infill site. The irony is that while many of the retailers (particularly the mid boxes) would still like a Boulder location, they are less motivated rather than more motivated to seek an infill development site in the City.

In spite of these market conditions, the value of properties surrounding the redeveloped Twenty Ninth Street project (in the BVRC and other nearby sites) are expected to increase when the center is completed. This will likely spur the redevelopment of underutilized parcels over time. The most likely retail candidates for these redeveloped parcels are mid-size retailers not already in the Boulder market, additional inline tenants, and some existing Boulder retailers looking to improve their location within the market or trade up to slightly larger or newer spaces.

According to the City, there are over 100 separate property owners in the BVRC. With the exception of the Twenty Ninth Street project, there are no properties of a sufficient size or configuration to accommodate large format retailers. Over time, there may be smaller properties that become available for redevelopment to mass merchandisers retailers desirous of a location in the vicinity of the Twenty Ninth Street project and the surrounding mass merchandisers.

OTHER INFILL SITES

City staff identified six specific sites to be evaluated for their potential for development or redevelopment for regional level retail uses as described below.

Diagonal Plaza

Diagonal Plaza is a well-located 21 acre site with good exposure to both 28th and the Diagonal Highway. It is an aging but viable functioning community shopping center with a number of national tenants including Albertson's, Ross, PETsMART, Gart Sports, and Rite Aid. It is encumbered by 13 separate parcels and 8 separate ownerships. However, a preliminary calculation of the financial gap needed to fund a public-private partnership for redevelopment would indicate that this option is financially prohibitive as long as the existing tenants are viable, as shown in **Table 11**. Diagonal Plaza could potentially become a major infill site in the future when the existing leases are up or one of the major tenants leaves, causing the center to decline (as with the Safeway redevelopment of the K-Mart property).

Table 11
Diagonal Plaza Redevelopment Costs
Boulder Retail Strategy

	Size	Factor	Cost
Land Acquisition			
Land Value [1]	21 AC	$24 / SqFt	$21,700,000
Lease Buyout [2]	235,000 SqFt	$10 / SqFt	$8,812,500
Total Land Acquisition			**$30,512,500**
Revenues			
Land Sale to LF Retailer [3]	15.5 AC	$8 / SqFt	$5,401,000
Sale of Mid-Box Retail [4]	5.5 AC	$10 / SqFt	$2,396,000
Market Rate Housing [5]	180 Units	$65,000 / Unit	$11,700,000
Total Revenues			**$19,497,000**
Total Estimated Profit/(Loss)			**($11,015,500)**

[1] Site includes 12 separate parcels with 7 different owners; Value as reported by Boulder County Assessor
[2] Assumes average rent is $10 / SqFt and average remaining lease term is 5 years for 75% of the building
[3] Assumes 165,000 anchor at a FAR of .25
[4] Assumes 60,000 of retail space at a FAR of .25
[5] Assumes 20% of gross sales price based on $325 per square foot on an average size of 1,000 square feet
Source: Boulder County Assessor; Retailer and Broker Interviews; Economic & Planning Systems
H:\15829-Boulder Retail Strategy\Models\[15829 - DiagPlaza Proforma.xls]Scenario 1

Boulder Armory

The 8.0 acre Armory site is a prime redevelopment parcel in the North Boulder neighborhood. The State is expected to complete a letter of intent with a private developer in 2005 that will enable the redevelopment of the site. King Soopers is known to have interest in developing the site for a standard 55,000 to 65,000 square foot supermarket. They would not be interested in developing the larger 100,000 square foot Marketplace on the site given the need for structured parking. The site is too small and too isolated for large format or mass merchandiser development. Although an 8-acre site located in the BVRC area would be marketable for mid box mass merchandisers, it is very unlikely that any regional retail users would find this site attractive given the lack of adjacent or nearby regional retail draws. Kohl's and Best Buy indicated that a location at 28th and Jay (or any other north Boulder site) would only be feasible if there was a critical mass of other regional retailers in the area.

Southeast Corner of 30th and Pearl

This 7-acre site is currently occupied by an industrial use, auto repair and two small office buildings. As the December 2004 staff report indicated, the site would be expensive to assemble (given the two office buildings) and is one of the least visible and least viable parcels in the BVRC for large format or mass merchandiser development.

From a redevelopment perspective, the Jeep dealership, Pollard Motors, on the north side of Pearl may have greater redevelopment potential. The site was purchased in 2004 by the City of Boulder and RTD for transit oriented development (TOD). Pollard Motors signed a 10-year ground lease for the site. Despite being well suited for mid-size retailer infill development, given the adjacent Steelyards development and the proposed Boulder Transit Center, these parcels have greater land value and market potential as mixed-use infill development sites with residential uses comprising the majority of the site.

Properties Southwest of Foothills Parkway/Pearl

This 10-acre site is currently occupied a UPS distribution center, Eco Products, Advance Direct, and an industrial use. The site is nearby the proposed 30th and Pearl station area transit oriented development project. The site's triangular configuration and small size cannot accommodate large format retail development. In addition, its location and relative isolation from existing regional retail development will limit its appeal to most mass merchandiser tenants looking for a critical mass of similar retail. As development occurs around the purposed transit stop at 30th and Pearl this site may become a viable mixed use redevelopment opportunity.

Hugh M. Woods Site (63rd and Diagonal Highway)

This 6-acre site is vacant and available for development. However, it is too far north and too far from other regional retail development to be a viable site for regional retail uses. The same issues regarding the inability to develop a critical mass of large format or mass merchandiser space would apply to this site.

McKenzie Junction

This 16-acre site is vacant and available for development. It is the largest site available for commercial development in Area I. The site's oblong configuration and access constraints would restrict maximum use. The site could accommodate a single large format user, such as Wal-Mart or Lowe's, with an appropriate zoning change. Its location northeast of the City and relative isolation from existing regional retail development will limit its appeal to most mass merchandise tenants who are looking for a critical mass of similar retailers.

IV. 28TH AND JAY RETAIL POTENTIALS

This section of the report discusses the capacity of the 28th and Jay site and potential development options for the site. These development options illustrate the type and amount of development likely based on the market analysis. The four development options identified also provide a basis for estimating total and net new retail sales and related sales tax revenue to the City. The second portion of this chapter addresses the impact of development at 28th and Jay on other major commercial districts in the City.

SITE CAPACITY

At a fairly modest floor area ratio (FAR) of .25 (typical for suburban development), the site can support approximately 250,000 square feet of retail space. The land owner has proposed 260,000 square feet of retail and 200,000 square feet of residential space for a grand total of 460,000 square feet of development at an FAR of .46. This development option would require some amount of structured parking and would increase the development costs for the property. It is important to note that many of the retailers interviewed did not perceive this location as supporting high enough land values to support structured parking for retail development.

POTENTIAL DEVELOPMENT SCENARIOS

Four development scenarios have been identified for the site. These include the four major large format retailers expressing an interest in the site. Those scenarios where the primary large format tenant does not occupy the entire 23 acre site will also include two mass merchandise retailers. Although many of the mass merchandiser retailers interviewed were not interested in the site, the lack of available sites and the larger number of potential tenants would likely attract some users to the site. The developer also plans up to 75,000 square feet of smaller in-line retail space. Although those uses could be developed on the site, they have been left out of the evaluation because no significant amount of net new sales to the City would be expected. In some of the scenarios residential development has been included in addition to retail development. However, two of the scenarios would consume most of the available land, leaving little or no space available for housing. The four development scenarios include:

- **Wal-Mart Supercenter and Sam's Club (with no housing)** – This scenario includes a 160,000 square foot Wal-Mart supercenter with a grocery and a 130,000 square foot Sam's Club. With both stores located on the property, the parking would consume the remaining space, excluding the development of residential space on the site.

- **Wal-Mart Supercenter and Mass merchandisers (with minimal housing)** – This scenario includes a 160,000 square foot Wal-Mart supercenter with a grocery and 30,000 square feet of mass merchandise retail space. The retail space would not consume the entire site. A minimal amount of housing could be developed along side of the retail.

- **King Soopers Marketplace and Mass Merchandisers (with housing)** – This scenario includes the 100,000 square foot King Soopers Marketplace with grocery and general merchandise space and 60,000 square feet of mass merchandise space. The retail space would consumer approximately half the site, leaving roughly 10 acres of the site available for residential development.

- **Lowe's Home Center and Mass Merchandisers (with minimal housing)** – This scenario includes an estimated 145,000 square foot Lowe's Home Center plus 60,000 square feet of other regional retail space. Although Lowe's is not very compatible with residential development, some creative site planning may allow for a minimal amount of residential development.

SALES AND SALES TAX ESTIMATES

Retail sales were estimated for each of the development scenarios outlined above. These retail sales were then factored down to net new sales. Not all sales generated by these retail uses will be new sales. A portion of each retailer's sales will be transferred from existing stores within the City of Boulder. Net new sales result from either the capture of sales currently flowing out of the City (outflow/leakage) or from growth within the trade area. Growth within the trade area will result in new sales across store categories and retailers. New retailers can capture a portion of this growth but existing retailers can also capture the growth. Therefore, outflow/leakage constitutes the most likely source for new sales.

The development scenarios include four retail types: grocery, general merchandise, mass merchandise shoppers goods, and building materials and garden supplies. A net new factor was estimated for each of these retail categories based on the inflow/outflow analysis. The amount of outflow/leakage varies by store category. Therefore, store categories with high leakage present greater opportunity to capture sales. The net new sales factors for each retail type were based on the store category estimated leakage.

Retailers in store categories with large leakage dollar amounts can generate more net new sales. In addition, existing competition within the City of Boulder must be considered. For example, grocery store sales result in few net new sales because of competition; these sales are instead redistributed. The effect is that consumers, rather than making more purchases, do not travel as far to make grocery store purchases.

Sales tax revenue was estimated based on the net new sales figures derived by multiplying the estimated retail sales by the estimated net new factor. The retail sales and sales tax estimates for the four development scenarios are provided in **Table 12**.

- **Scenario 1** – The Wal-Mart and Sam's Club development program produces an estimated $133.0 million in retail sales. An estimated $82.0 million or 62 percent of these sales are net new sales. The new sales would net the City approximately $2.3 million in sales tax revenue.

- **Scenario 2** – The Wal-Mart and mass merchandise shoppers goods scenario produces an estimated $77.0 million in retail sales. An estimated $36.3 million of these sales or 47 percent of the total are net new. The new sales net the City approximately $1.1 million in sales tax revenue.

- **Scenario 3** – The King Soopers Marketplace and mass merchandise shoppers goods scenario produces an estimated $58.0 million in retail sales. With $24.2 million of these sales estimated as new to the City. The new sales generate approximately $750,000 in net new sales tax revenue.

- **Scenario 4** – The Lowe's Home Center plus mass merchandise space produces an estimated $61.5 million in retail sales. Only $16.8 million of these sales are net new sales. The new sales would net the City approximately $516,000 in sales tax revenue.

Table 12
Development Alternatives: 28th and Jay Site
Boulder Redevelopment Strategy

#	Description	SqFt	Sales Per SqFt	Total Sales ($000s)	Net New Sales Factor	Net New Sales ($000s)	Sales Tax Revenue ($000s)
1	**Wal-Mart & Sam's Club - No Housing**						
	Wal-Mart Supercenter	160,000					
	Grocery	64,000	$425	$27,200	10%	$2,720	$93
	General Merchandise	96,000	$425	$40,800	75%	$30,600	$939
	Sam's Club	130,000	$500	$65,000	75%	$48,750	$1,247
	Subtotal	**290,000**		**$133,000**		**$82,070**	**$2,279**
2	**Wal-Mart & Mid-Box - Minimal Housing**						
	Wal-Mart Supercenter	160,000					
	Grocery	64,000	$425	$27,200	10%	$2,720	$93
	General Merchandise	96,000	$425	$40,800	75%	$30,600	$939
	Mid-Box Retailer	30,000	$300	$9,000	33%	$2,970	$91
	Subtotal	**190,000**		**$77,000**		**$36,290**	**$1,123**
3	**Marketplace & Mid-Box - Mixed Use**						
	King Soopers Marketplace	100,000					
	Grocery	45,000	$400	$18,000	10%	$1,800	$61
	General Merchandise	55,000	$400	$22,000	75%	$16,500	$506
	Mid-Box Retailer(s)	60,000	$300	$18,000	33%	$5,940	$182
	Subtotal	**160,000**		**$58,000**		**$24,240**	**$750**
4	**Lowes Home Center - Minimal Housing**						
	Lowes Home Center	145,000	$300	$43,500	25%	$10,875	$334
	Mid-Box Retailer(s)	60,000	$300	$18,000	33%	$5,940	$182
	Subtotal	**205,000**		**$61,500**		**$16,815**	**$516**

Source: Retailer and Broker Interviews; Economic & Planning Systems
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IMPACTS TO EXISTING RETAIL DISTRICTS

This section of the report addresses the potential impact of the 28th and Jay development options on existing retail districts within the City. The existing number of businesses and retail sales by store type are shown for the four retail areas considered (University Hill, Downtown, BVRC, and North Broadway) in **Table 13.**

BVRC DISTRICT

The BVRC area is the largest commercial district in the City and contains 116 businesses generating $428.7 million in retail sales in 2004, which is 17 percent of the City total (excluding auto related businesses). The average sales per business is $3.70 million or nearly 2.5 times larger than the average of $1.47 million in Downtown. Although

Downtown is perceived as the primary apparel and specialty retailing center, the BVRC area contains an even larger number of comparison shoppers goods businesses. These businesses tend to be larger than those located in downtown.

Nearly all of the City's national big box and mid box retailers are located in or near the BVRC area, including Foley's Department Store; Target; Circuit City; Office Depot; Office Max; Pier 1; Bed, Bath, & Beyond; Barnes & Noble; Gart's; and REI. The Twenty Ninth Street project under construction will add one additional large format retailer with Home Depot. It will also contain a new Wild Oats supermarket. The remaining tenants are largely "lifestyle center" apparel, home furnishings, restaurants, and entertainment businesses including a Century Theater.

Twenty Ninth Street has not announced any mass merchandise tenants to date largely because most are already located in the area, and because project rents are above the acceptable range for many potential mass merchandiser tenants. The 28th and Jay project could potentially provide a location for a number of mass merchandise retailers that would otherwise look for locations on infill sites in the BVRC area. However, these retailers would only be willing to consider the 28th and Jay site if a critical mass of large format and mass merchandise space could be attained on site.

Unlike Diagonal Plaza, which has eight owners and twelve separate parcels, several existing strip mall parcels within the BVRC could be redeveloped for one to two mid-size retailers. In order to make Diagonal Plaza a suitable site for mid-size retailers, the entire site would need to be assembled and reconfigured to maximize retail space and parking. In addition, the several retailers would need to be attracted to the site. Potential redevelopment sites within the BVRC do not have the came challenges. One or two retailers can take a single parcel and redevelop it without the need to attract additional retailers for synergy. All the sites are located near new lifestyle centers opening soon.

UNIVERSITY HILL

University Hill had a total of 23 businesses generating $16.9 million in annual sales in 2004. The District is comprised largely of university and student oriented businesses including casual and fast food restaurants, bars, and bookstores. Historically, the District contained a small concentration of apparel and specialty stores oriented towards the larger regional market. A couple of long-time traditional men's apparel businesses remain, but these functions have largely moved to downtown. The types of large format retailers under consideration for the 28th and Jay property are not expected to have any impact on the University Hill retail district.

DOWNTOWN

Downtown is the City's multifunctional central business district area including a range of retail, office, residential, hotel, government and civic uses. The retail district oriented around the Pearl Street mall contains largely specialty retail, restaurant, and bar tenants. In 2004, there were 109 businesses with a total of $160.0 million in annual. Food and drinking businesses comprise the majority of downtown businesses with 62 out of 109, or 57 percent of the total.

The Downtown has evolved from the City's primary comparison shopping center area to a more specialized retail area over the last 40 years. Downtown now contains a large concentration of independent specialty retailers and a few national tenants (roughly 10 percent). The greatest impact on downtown from large format retail development was largely absorbed with the development of Crossroads in the 1963 and its last major expansion in 1983.

Downtown is expected to experience greater impacts from the Twenty Ninth Street project than from any potential development option for 28th and Jay. National retailers that would have previously considered a Downtown location are considering opening at Twenty Ninth Street. Also, many of the national tenants already signed, including Bath and Body Works, Coldwater Creek, White House/Black Market, and Victoria Secret will compete directly with local independent businesses located in Downtown.

NORTH BOULDER

The North Boulder retail area consists of a few convenience, restaurant and bar retail businesses now open in the Holiday project as well as older rural retail uses remaining on the west side of Broadway. There are currently 16 retail businesses with a total of $24.1 million in annual sales. The Uptown Broadway project continues to build out and lease new retail space in the area. There is also a proposal for an additional 30,000 square feet of commercial space west of Broadway.

The North Boulder retail area will change when the 8.0 acre Armory site is redeveloped. The State of Colorado is expected to offer the site for development in the near future. King Soopers is reportedly interested in developing a supermarket on the site. King Soopers is also interested in developing a Marketplace superstore on the 28th and Jay site. If it pursues this option, it is unlikely that another supermarket would choose to locate on the Armory Site. If another superstore is built at 28th and Jay, it may also diminish King Soopers' interest in the Armory property. The possibility of a supermarket on the Armory site is therefore greatly increased if the 28th and Jay site is unavailable for annexation and development in the near future. The attractions of a supermarket to the Armory site would provide a critical anchor for the north Boulder retail district and could help support the viability of the smaller retail spaces under development at Holiday, Uptown Broadway, and the west side of Broadway.

Table 13
City of Boulder Retail Sales by Geography and Category, 2004
Boulder Retail Strategy

Store Type	University Hill			Downtown			BVRC			North Broadway		
	#	$	%	#	$	%	#	$	%	#	$	%
Convenience Goods												
Food/Beverage Stores	5	$2,458,540	15%	7	$32,434,215	21%	9	$126,612,193	30%	5	$5,484,464	23%
Health and Personal Care	0	$0	0%	0	$0	0%	3	$4,802,495	1%	3	$12,802,770	54%
Total Convenience Goods	**5**	**$2,458,540**	**15%**	**7**	**$32,434,215**	**21%**	**12**	**$131,414,688**	**31%**	**8**	**$18,287,233**	**77%**
Shopper's Goods												
General Merchandise	0	$0	0%	0	$0	0%	3	$60,425,433	14%	0	$0	0%
Clothing & Accessories	3	$1,947,189	12%	19	$17,768,264	11%	15	$22,282,841	5%	0	$0	0%
Furniture & Home Furnishings	0	$0	0%	3	$5,651,997	4%	10	$17,316,499	4%	0	$0	0%
Sporting Goods, Hobby, Book, & Music Stores	3	$5,306,628	32%	9	$14,756,577	9%	19	$60,999,821	14%	0	$0	0%
Electronics & Appliances	0	$0	0%	0	$0	0%	11	$54,621,254	13%	0	$0	0%
Miscellaneous	0	$0	0%	9	$8,472,250	5%	9	$8,810,301	2%	0	$0	0%
Total Shopper's Goods	**6**	**7,253,817**	**44%**	**40**	**46,649,087**	**30%**	**67**	**224,456,148**	**53%**	**0**	**0**	**0%**
Food and Drinking Services	12	$6,837,748	41%	62	$77,498,376	49%	33	$39,593,714	9%	8	$5,590,537	23%
Building Material & Garden	0	$0	0%	0	$0	0%	4	$31,505,733	7%	0	$0	0%
Total Retail Goods	**23**	**$16,550,105**	**100%**	**109**	**$156,581,679**	**100%**	**116**	**$426,970,283**	**100%**	**16**	**$23,877,771**	**100%**

Note: The number of businesses is limited to retail businesses generating over $1,000 in retail sales tax receipts per month
Source: City of Boulder; Economic & Planning Systems
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V. POLICY CONSIDERATIONS

Based on the analysis of supportable retail development and potential impacts, this chapter of the report identifies policy considerations related to regional retail development. A portion of the information is directly relevant to the petition to expand the service area at 28th and Jay. Other information is more generally relevant to the City's economic development policies related to regional retail development.

28TH AND JAY

The following points summarize the market potentials and impacts of the 28th and Jay site for regional retail development.

- The only large format retailers currently expressing an interest in a Boulder location are Wal-Mart, Sam's Club, Lowe's, and King Soopers Marketplace. Each of these individual store chains has also indicated they would be interested in the 28th and Jay site.

- Retail store formats continue to evolve and continue to get larger. Kroger's decision to add dry goods to its supermarket -- essentially creating a "small" superstore of 100,000 square feet -- is an example (King Soopers Marketplace in Colorado, Fry's in Arizona). It is therefore difficult to rule out the development of other store possibilities not currently in the Colorado market, but that are likely to emerge in the coming years.

- Most of the other mass merchandise stores (20,000 to 40,000 square feet) currently active in the Colorado market are already located in Boulder. A few, including Kohl's, Best Buy, and Linens N Things, have indicated they would be interested in the 28th and Jay site, but only if the site or the immediate general location could support a critical mass of regional retail space. It is unclear whether the site, with or without a large format store, could accommodate enough tenants to meet what these chains consider a critical mass.

- The regional retail scenarios determined to be feasible for the 28th and Jay site would generate from $61.5 million to $133.0 million in total retail sales. However, EPS estimates that net new sales would account for only a portion of these sales ranging from 27 percent to 62 percent of the total, depending on the development option. Net new annual sales tax revenues to the City are estimated from a low of $516,000 for Scenario 4 (Lowe's) to a high of $2.3 million for Scenario 1 (Wal-Mart and Sam's Club).

- The estimated impacts to existing retail districts from the development of 28th and Jay would be minimal under all development options. Historically, downtown has attracted primarily independent and locally owned businesses, while BVRC has attracted primarily national retailers. The Twenty Ninth Street development will perpetuate this difference. However, a certain amount of overlap is expected between future Twenty Ninth Street tenants and downtown tenants. Therefore, the Twenty Ninth Street project is expected to have a greater impact on the downtown area than the 28th and Jay site.

REGIONAL RETAIL DEVELOPMENT OPTIONS

The following points summarize the potentials and policy options for attracting regional retail to the City should the 28th and Jay site not be annexed.

- The only undeveloped site within the City with immediate development potential for regional retail uses is the McKenzie property located on the Diagonal Highway and 47th. The site is relatively small and could likely only accommodate a single large format store such as Super Wal-Mart or Lowe's.

- The 21-acre Diagonal Plaza property, located at 28th and the Diagonal Highway, is a viable community shopping center with some regional retail uses but on an underutilized site. A preliminary economic financial analysis indicates the logistics and costs of redevelopment are likely to be prohibitive. However, should one of the major anchors close, the site could become a viable location for additional regional retail uses and may warrant consideration for public financing at that time.

- None of the remaining infill sites identified by the City could accommodate the supportable large format retail uses. All of the infill sites have some impediments to redevelopment to regional retail uses in the near future.

- At this point in time, most of the large format and mass merchandise retailers not already located in the City are unwilling to invest in expensive or difficult infill sites because they are already tapping the Boulder customer base from nearby locations.

- The City is currently developing a significant increment of regional retail development at Twenty Ninth Street. This project has one large format retailer (The Home Depot) and will include a large increment of smaller "lifestyle-type" tenants (primarily upscale national apparel and home furnishings stores).

- These stores will help diminish the leakage of comparison shoppers goods sales to the FlatIron Crossing Mall area and other regional centers. This project is expected to accomplish the greatest reduction in retail leakage possible short of developing a regional shopping center.

- A successful Twenty Ninth Street project is also expected to attract additional mass merchandisers who would wish to locate on nearby sites, much like what happened in the BVRC surrounding Crossroads over the last 20 years.

- Although there are no sites immediately available, there are older properties that will become available for additional mass merchandise retailers as leases expire and tenants move. These projects will take a creative developer and may require some public assistance to address the extraordinary costs of redevelopment.

- Given that further urban renewal projects in the City have not been determined, the City's best opportunity to encourage additional regional development is to consider economic incentives on a case by case basis. These incentives are best accomplished through sales tax revenue sharing with eligible retail development projects to fund required public improvements. The City's Economic Vitality Work Plan identifies options to facilitate retail development through private initiatives or through the formation of public/private partnerships.